REPUBLIC OF RWANDA

MINISTRY OF FINANCE AND ECONOMIC PLANNING

BUDGET EXECUTION REPORT FOR THE YEAR 2008

MARCH 2009

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INTRODUCTION

The implementation of the 2008 budget was affected by exogenous as well as by endogenous factors. Regarding exogenous factors, the steep rises in the prices of petroleum products and other commodities (notably food items such as grains and sugar) impacted both negatively and positively on the budget execution. On the endogenous side, the earthquake disaster and the reconstruction needs afterwards together with the policy to provide additional resources for food crop intensification to improve food security, increased expenditures significantly.

The budget approved by Parliament projected total revenue and grants at RWF 564.9 billion. Total expenditure and net lending was estimated at RWF 594.3 billion. These totals included RWF 11 billion of contingent expenditures to be financed by an equal amount of grants from the budget support partners. The overall deficit (excluding grants) was fixed at RWF 314.2 billion, whilst the deficit (including grants) was projected at RWF 29.4 billion.

As a result of the exogenous and endogenous factors mentioned above, the budget was revised during the year. In the case of the exogenous factors, the steep increases in world market prices for petroleum and other commodity prices whilst fuelling inflation increased the value of imports and boosted tax receipts.

With regard to the endogenous factors, the earthquake disaster and the need to provide resources for reconstruction as well for food security and other priority spending necessitated an increase in expenditures. The budget was therefore revised to take account of the increase in resources and the expenditures to be financed with these resources. Accordingly, total revenue and grants was revised upwards to RWF

604.7 billion from RWF 564.9 billion. Likewise total expenditure and net lending was also raised from RWF 594.3 billion to RWF 648.7 billion.

The resulting deficit (excluding grants) was projected to rise from RWF 314.2 billion in the original budget to RWF 350.5 billion. Likewise the overall balance (including grants) which was projected at RWF 29.4 billion in the original budget was estimated to rise to RWF 44.1 billion in the revised budget projections. See attached table 1 for these projections.

I. BUDGETARY PERFORMANCE IN 2008

As mentioned above the execution of the budget benefited from an improved revenue performance which was boosted by tax receipts from import and consumption taxes as well as “one-off” non tax receipts from the accrual of mobile license fees. Additional grants were also provided for some priority spending in agriculture, education and health sectors. With this improvement in resources the Government was able to provide additional funds for some new programs as well as some on-going priority programs that required these funds in order to preserve their real values in the face of rising inflation.

Despite the fact that the donors could not provide additional budget support grants to finance the contingent expenditures included in the original budget, total expenditure and net lending closed the year at RWF 649.6 billion which was almost equal to the RWF 648.7 billion estimated in the revised projections. This high spending level was financed with additional domestic and external resources as total revenue and grants rose significantly to RWF 681.5 billion compared to RWF 604.7 billion in the revised estimate. The budget deficit (excluding grants) at RWF 268.7 billion was therefore much lower than the RWF 350.6 billion programmed. As a result of the significant increase in resources, the budgetary balance (including grants) closed with a surplus of RWF 31.8 billion as against a deficit of RWF 44.1 billion projected.

II. RESOURCES

II.1 Domestic Revenue

II. 1.1Tax Revenue.

Tax revenue Performance in 2005-2008

	2005	2006	2007	2008
Total Tax Revenue	**162,624.5**	**193,614.1**	**237,808.8**	**328,694.5**
Direct taxes	**50,688.2**	**64,504.9**	**85,806.8**	**123,073.3**
Companies	23,815.8	26,810.0	32,040.6	51,231.6
Individuals(PAYE)	**25,471.4**	**35,716.4**	**49,188.9**	**65,436.3**
Others and Property taxes	1,400.9	1,978.5	4,577.6	6,405.4
Taxes on goods and services	**82,900.0**	**95,536.9**	**120,981.8**	**161,697.6**
Excise taxes	20,913.1	23,253.1	29,528.1	37,458.3
VAT	57,746.9	67,152.6	85,094.3	116,861.2
Road Fund	4,240.1	5,131.2	6,359.4	7,378.0
Taxes on international trade	**29,070.0**	**33,572.3**	**31,020.2**	**43,923.6**
Import tax	22,071.0	23,923.9	26,920.4	40,053.6
Other (including Electrogaz fuel import)	7,001.8	9,648.4	4,099.8	3,151.0
VAT+PAYE as % of Total tax revenue	51.2%	53.1%	56.5%	55.5%
Taxes on international trade as % of Total tax revenue	17.9%	17.3%	13.0%	13.4%

In line with the trend during the last few years, tax revenue collections continue to perform well consistent with the higher real GDP growth, increasing monetization of the economy as well as improvements in RRA's administrative reforms and collection mechanism. Some of the most important measures taken in 2008 include computerization of collections, advance capacity building and the creation of the "one shop" facility that has allowed collection of all taxes under one roof.

In addition, a comprehensive compliance program that identified key compliance risks associated with large, medium and small taxpayer segments, together with a description of the planned RRA initiatives to address the identified risks based on risk analysis was developed and published on the RRA website. Furthermore, an expedited clearance scheme (super green/gold card) for compliant importers contributing a cumulative 40% of import value was implemented.

Total tax revenue collections at end December 2008 therefore amounted to RWF 328.7 billion as against a revised projected figure of RWF 298.3 billion. This shows an excess collection of RWF 52.9 billion. All tax types exceeded the revised projected amounts. The table below shows the details of tax revenue collections for the last four years.

Regarding direct taxes, collections of RWF 123.1 billion exceeded the revised projections of RWF 97.4 billion by about RWF 25.7 billion. Profit taxes which benefited from the higher real GDP growth as well as the higher inflation contributed to this over-performance. PAYE collections also improved reflecting higher increase in incomes, an expansion in employment as well as the continued payment of bonuses by the private sector (so called 13^{th} month remuneration). In addition RRA succeeded in collecting arrears from some companies notably Rwandatel.

In the case of taxes on domestic goods and services, collections of RWF 161.7 billion were about RWF 18.2 billion higher than the RWF 143.5 billion projected. This excess revenue would have been higher if the exact amount of petroleum excise duties would have been collected. The policy not to implement a full pass-through of the very high international petroleum prices for tax purposes meant that taxes paid on these products were much lower than should have been collected. It must be noted that a full pass-through of the higher international prices would have increased the ex-pump prices significantly and would have added some percentages to the high inflationary pressures experienced during 2008.

Apart from petroleum excise duties, all other taxes on domestic goods and services (excise duties and VAT) over-performed. These taxes benefited from both higher domestic and external prices (inflation tax effect) and increase in both volume and value (real GDP growth effect).

Of significant importance was however the performance of taxes on international trade. Contrary to expectations, RWF 43.9 billion was collected as against RWF 34.9 billion projected. This shows an excess collection of RWF 9 billion. The main reason for this performance was the increase in total value of imports by about 79% compared to 2007 (the increase in imports of consumer goods that attract the higher rate of tax was about 39%), arising from the general increase in international prices for various commodities particularly food items (a rise of about 58%) as well as a general rise in demand.

As can be seen from the above table, VAT and PAYE collections have contributed to over 50% of taxes since 2005. This is in line with Government's objective of allowing the wealthier in society pay more taxes than the poor. Taxes on international trade showed a declining trend except in 2008 where there was a small increase as indicated above. The declining trend was due to a shift in origin of imports as more imports came from the COMESA free trade area and EAC countries. Imports from COMESA free trade area attract no import duties whilst those from EAC countries attract low rates. This trend is expected to continue in the medium to long term as Rwanda is now a member of the EAC.

The table below shows some of the indices that contributed to the overall good performance of domestic tax revenue collections during the year 2008.

Table of Indices for 2007-2008

	2007	**2008**
Overall inflation (CPI)	6.6%	22.3%
Index for local goods	7.6%	22.9%
Index for imported goods	4.0%	21.6%
Money	32.6%	11.2%
Exchange rate/US$ [1]	0.8%	2.7%

Source: Banque National du Rwanda and MINECOFIN

II.1.2 Non-tax revenue

The performance of RWF 52.3 billion was about RWF 29.8 billion higher than estimated. The over-performance was mainly due to the accrual of license fees of RWF 33.4 billion (US$ 60 million) paid by TIGO mobile company in December 2008. This was not

[1] In 2008 , the 2.7% represents a depreciation of the RWF vis-a-vis the USD whilst in 2007 there was an appreciation of 0.8%

expected when the projections were made. Note however is to be taken of the fact that the revised estimate of RWF 22.5 billion included RWF 4 billion from the issuance of the new ID cards and driving licenses. However, due to administrative delays in the issuance of the documents and the transfer of the proceeds to OTR’s accounts at BNR, only RWF 3.1 billion was realized. It is expected that the remaining balances will be transferred this year.

The performance of other administrative fees and charges was also encouraging and it is expected that the recently finalized cabinet paper on non tax revenue, that seeks to consolidate the collection of all such receipts into OTR’s account will increase collection of non tax revenue for the budget. The table below shows the main contributors to the performance in 2007 and 2008.

TABLE OF NON-TAX REVENUE 2007-2008
(In million RWF)

	2007	2008
Dividends	3,181,608,636	8,593,057,446
O/W BNR	1,987,038,296	4,864,415,764
ID Cards+Driving Lincence	...	3,152,491,081
Sales of Strategic Stocks	426,931,937	1,120,816,672
TIGO Licensing fees	...	33,434,613,893
Passeport +Visa fees	1,715,847,959	2,018,211,593
Others	9,804,018,050	3,965,256,435
Total	**15,128,406,582**	**52,284,447,120**

II.2 External Disbursements for the Budget

II.2.1 Budget Support Disbursements

In the original budget submitted to Parliament, the total of external cash disbursements for the budget was projected at US$ 326.9 million. This projection included US$ 20.2 million to fund the contingent expenditures. In course of the year, other donor commitments notably those by AFDB and the World Bank for fertilizer purchases and for other spending under health and education were made. The total of budget support disbursements (loans and grants) was accordingly raised from US$ 326.9 million to US$ 361.8 million. The table below shows the performance for the year compared to the revised and original figures.

2008 Projected and Actual External Budget Support (in mil USD)

	Original Projections	Revised Projections	Actual Disbursment
AfDB	**19.50**	**21.16**	**21.16**
AfDB FERTILIZER GRANT		**5.32**	**5.44**
EU	**24.30**	**25.34**	**25.40**
IDA BUDGET SUPPORT[1]	**70.00**	**82.45**	**82.45**
GERMANY	**6.60**	**7.00**	**0.00**
SWEDEN	**11.40**	**12.70**	**0.00**
NETHERLANDS	**3.90**	**4.20**	**0.00**
UK	**60.60**	**64.37**	**64.37**
DEMOBILISATION	**9.20**	**8.26**	**6.58**
UN PEACEKEEPING[2]	**18.30**	**22.60**	**50.37**
S/TOTAL	**223.80**	**253.40**	**255.77**
FAST TRACK Multidonors (Education grants)	**45.00**	**57.00**	**57.00**
EDUCATION SECTOR GRANTS	**25.00**	**21.73**	**28.74**
HEALTH SECTOR GRANTS	**8.00**	**15.90**	**15.90**
CDF (Budget support)	**5.00**	**5.00**	**3.86**
CONTINGENT Multidonors (Grants)	**20.15**	**0.00**	**0.00**
G/TOTAL /Grants	**326.95**	**353.03**	**361.27**
LOANS			
OPEC FUND LOAN(HIPC)		**7.00**	**7.00**
WORLD BANK LOAN (Demob)		**1.79**	**2.22**
G/TOTAL (With Loans&Grants)	**326.95**	**361.82**	**370.49**

Footnotes

1.World Bank's figure include a grant of USD 10 million for fertilizer imports

2. The figure for UN PKO of USD 50,37 million includes USD 24,4 for personal emoluments of the soldiers

Total cash disbursements amounted to US$ 370.5 million, which was US$ 8.7 million higher than the revised total. This over-performance was achieved despite the fact that three bilateral donors (Sweden, Germany and the Netherlands) delayed their disbursements and no additional support was available to finance the contingent expenditures included in the budget.

As was observed in 2007, the cash disbursements included US$ 50. 4 million from the UN as reimbursements to the Government for expenditures under the Peace Keeping

Operations. Of this amount, US$ 24.5 million went to the troops to cover personal emoluments whilst US$ 25.9 million came to the Government. In addition to the budget support inflows, the Government received US$25 million from the LIBYAN company LAPGREEN being the second installment payment for the sale of Rwandatel. This amount has been recorded under Net Lending in the budget table.

In line with the debt relief agreements, US$ 3.8 million of HIPC grants also accrued to the Government during 2008. These grants reduced the actual cash payments for external debt.

II.2.2 External Disbursements for Projects

Despite numerous attempts to get accurate figures on external disbursements for projects, we have not been successful. These efforts will be intensified during 2009. For the time being this report will concentrate on partial data submissions from the main multilateral agencies (IFAD, EU, AFDB and the World Bank) who by far are the main donors for externally financed capital budget. In addition the cash disbursements for projects through BNR will also be discussed. The table below shows reported disbursements by these multilateral agencies mentioned above for 2008.

Disbursements for projects from Multilateral Institutions in 2008
(in million USD)

	Grants	Loans
AfDB	23.80	33.50
EU	107.30	0.00
IFAD	6.60	9.93
The World Bank Group	27.32	38.46
Others1	45.1	17.65
Total	**210.1**	**99.54**

Footnote

1.Others for loans include NDF,OPEC,FSD,BADEA

The table shows that total project grants amounted to US$ 210.1 million (RWF 114.9 billion) whilst total loans reached US$ 99.54 million (RWF 54.4 billion). Total resources for the externally financed capital budget therefore amounted to US$ 309.6 million compared to US$ 267.7 million (RWF 145.9 billion) projected. Note is to be taken of the fact that the projected amount included a draw-down of US$ 19.2 million for the first phase of the Nyabarongo power project. Due to the delay in starting the project, this draw-down was not affected in 2008. It is now expected to be implemented in the first half 2009. It must also be noted that since a large amount of the capital grants accrued during the last quarter of the year, these could not be used and accumulated in deposits at BNR.

The cash-flow of BNR however shows cash disbursements (loans and grants) of US$ 207.5 million (about RWF 113.5 billion) that went through the bank and credited to the various project accounts. Even though these cash inflows were higher than in any previous year and contributed to the increase in BNR's official foreign exchange reserves, they were US$ 64.06 million lower than the projected amount of US$ 271.56 million mentioned above. This gives rise to the assumption that this difference of US$ 64.06 million represents offshore direct payments to the various contractors executing capital projects in the country. Note is also to be taken of the fact that as a result of the draw-down of US$ 99.54 million of loans in 2008 which was higher than the US$ 69.3 million projected, the net present value (NPV) of external debt deteriorated sharply in 2008.

III. EXPENDITURES

As mentioned above, total expenditure and net lending at RWF 649.6 billion was about the same as the revised estimate figure of RWF 648.7 billion. This level of spending was achieved despite the fact that the approved contingent expenditures of RWF 11 billion could not be implemented as the required grants were not received. Tables 1-5 show details of Government outlays by economic classification and by program and sub programs by Budget Agencies for 2008.

III.1.Performance by Economic Classification

As shown in the attached table 1, performance under goods and services and transfers and subsidies was lower than the budget figures. This was due to the non availability of additional donor grants to finance the contingent expenditures approved in the budget. In addition BNR did not utilize the entire amount allocated for monetary policy operations under transfers and subsidies.

Overspending however occurred under domestic capital expenditure and net lending. Foreign financed capital expenditures also registered a small overspending even though this is an estimate since there are no reliable figures from CEPEX.

Regarding domestic capital expenditures, the over-spending was mainly due excess outlays on the rural water and sanitation project (PEAMER) and on the clean water supply to Kigali from the Nyabarongo underground sources project. In addition the outlays for the crop intensification program of MINAGRI (including the fertilizer purchases) were slightly higher than envisaged. In the case of net lending, the excess was mainly due to payment of tax arrears of Rwandatel to RRA. This was not in the original estimate.

III.2. Performance by Functional Classification

The table below shows the total spending by functional classification.

	TOTAL ACTUAL
01 LEGISLATIVES AND EXECUTIVES ORGANS	21,500.88
OTHER GOVERNMENT SERVICES	85,362.07
02 DEFENSE [2]	59,609.55
03 PUBLIC ORDER AND SAFETY	38,338.73
04 ENVIRONMENTAL PROTECTION	2,972.60
05 AGRICULTURE	25,454.90
06 INDUSTRY AND COMMERCE	7,883.14
07 FUEL AND ENERGY	30,993.55
08 TRANSPORT AND COMMUNICATION	37,754.83
09 LAND HOUSING & COMMUNITY AMENITIES	3,168.14
10 WATER AND SANITATION	17,190.48
11 YOUTH CULTURE AND SPORTS	5,354.49
12 HEALTH	32,345.21
13 EDUCATION	101,578.83
14 SOCIAL PROTECTION	15,995.74
TOTAL [1] :	**485,503.15**

Footnotes

1. Total expenditures exclude Externally financed capital expenditures, debt and arrears.

2. Defense expenditures include Outlays for Peace Keeping Operations in Sudan as well as spending on Demobilization and Reintegration.These amounted to RWF 21.8 billion (37%) of Defense spending.

Total primary outlays amounted to RWF 485.4 billion by functional classification in 2008. Primary expenditures here refer to recurrent spending, domestic capital expenditure and net lending. In line with EDPRS priorities, spending on education took the largest share at about 21% of total expenditures. Wages and salaries for teachers at all levels, transfer of funds to the districts for capitation grants for primary schools and tronc commun (RWF 15 billion), outlays for feeding and for the supply of books and other essential materials (including computers) took a large share of expenditures. In addition, a significant amount was also spent on repairs and maintenance as well as on the construction of several new schools in the districts (primary and tronc commun).

The total spending on education also includes outlays for vocational training, post graduate training of teachers to improve their capacity, funds for both domestic and external scholarships (SFAR) as well as transfers to the National Examination Council (CNER) to conduct school examinations at the various levels.

Other Government services including spending under MINECOFIN took a share of RWF 85 billion, equivalent to about 17.6% of total outlays. Some of the major items funded under MINECOFIN included the operational expenses of several autonomous bodies such as the Rwanda Revenue Authority, National Institute of Statistics and the Privatization Secretariat. Other items funded included the new national identity cards and driving permits project as well as the relief and reconstruction costs of the earthquake disaster at the beginning of the year. Furthermore, the funds used by BNR to pay for the cost of sterilizing excess liquidity to reduce inflation also came from these allocations. The activities of the Electoral Commission were also funded from the allocations for other Government Services.

Defense expenditure took a share of about 12%. This allocation included spending on Peace-keeping operations in Sudan as well as on the demobilization and re-integration project. In the case of the Peace-keeping operations (PKO), the UN reimbursed the Government with an amount of US$ 26 million to cover the expenditures. The expenditure for PKO and demobilization accounted for RWF 21.7 billion or 37% of total spending.

Public order and safety and transport and communications took shares of 7.9% and 7.8% respectively. With regards to public order and safety, the allocation allowed adequate funding to the National Police service including the purchase of various equipment (vehicles, motor cycles and communication systems) as well as for the establishment of the National Prison Service. Several prisons were also rehabilitated during the year with these funds. In the case of transport and communication, outlays for construction of the Kicukiro-Kirundo and Kibuye-Ruganda roads, the maintenance and rehabilitation of various road networks in the districts and cities as well as feasibility studies for the Isaka to Kigali railway network took a large share of these outlays. In the communication area, the provision of various ICT infrastructures was the dominant item.

Health expenditure took a share of about 6.7% of total expenditures. This relative low figure is due to the fact that a large portion of health expenditures is funded by external donors including through Non Governmental Agencies. Their projects and programs and the sources of funding are therefore not included in the central Government budget. This expenditure total therefore represents only central Government's portion of health spending in the country. The funds were mainly spent as transfers to the various district health centers. These were used for payment of wages and salaries, purchase of drugs, vaccines and other medical supplies and equipment as well as catering for the "mutuelle" insurance scheme and the contractual approach to community health programs. Furthermore, Government also provided some funding for the Multi-sector Aids Program (MAP) and the Protection and Care of Families Against HIV/AIDS (PAFCA) project.

Outlays in the fuel and energy sector accounted for a share of about 6.4% and the funds were used to improve the power supply situation in the country. In line with EDPRS priorities, this share is expected to increase over time. The largest share of the funds was used for the emergency rehabilitation of Electrogaz infrastructure. This included the purchase of 20 MW HFO machinery, the construction of the Gisenyi-Mukungwa transmission line, the rehabilitation of Gikondo generation plant as well as for the continuation of the rural electrification program. In addition, several micro and medium-sized hydro projects including the Rukarara dams were constructed. Preparatory works for the commencement of the Nyabarongo dam were also undertaken. Furthermore, funds were allocated for the Lake Kivu gas project as well as for the purchase of heavy fuel oil and payment of all import taxes for Electrogaz generators.

Spending in the agriculture sector accounted for a share of 5.3% of total outlays and was primarily focused on ensuring food security for the country. In line with the crops intensification policy, a large amount of the funds was used for the importation of fertilizer as well as for the purchase of improved seeds for the farmers to improve productivity. Adequate funds were also provided for extension services, research projects, livestock development ("one cow per family") and for irrigation projects. In addition, the Government contributed to a private sector driven project to establish food storage facilities in the country by subsidizing the interest costs as well as providing funding for outlays in respect of transportation charges.

As a result of these expenditures and the prevailing good weather conditions, the country for the first time in three to four years registered good crop harvests in 2008 registering a growth rate of 16.4 %. This contributed immensely to an overall real GDP growth of 11.2% for 2008.

Outlays on the legislative and executive organs took a share of 4.4% of total spending. The Inter-Governmental Transfer of RWF 8.8 billion to the districts and towns for their operations under the decentralization policy accounted for the largest share. In addition, the districts also benefited from periodic transfers into the common development fund (CDF) to finance various investment projects.

Expenditures in the water and sanitation sector as well as for social protection took 3.5% and 3.3% shares of total outlays respectively. In the case of water and sanitation, the main projects implemented are the Rural Water and Sanitation II project (PEAMER) and the project to supply the city of Kigali with clean water from the Nyabarongo underground sources. Regarding social protection, transfers to FARG (amounting to 5% of total domestic revenue as stated by law) and spending on vulnerable groups including orphans and resettlement of returning refugees accounted for a large share of spending.

Shares for industry and commerce and youth, culture and sports amounted to 1.6% and 1.1% respectively. For industry and commerce, activities implemented by the Rwanda Investment and Export Promotion Agency took a large share of spending. Some of activities funded included support to coffee farmers through the setting up of more washing stations, continuation of constructional activities at the Free Trade Zone and support for the promotion of rural micro enterprises and funding of Small and Medium Scale Enterprises in collaboration with USADF. Regarding youth, culture and sports the major activities funded were the rehabilitation of the Nyamirambo and Amahoro stadia and the financing of the CAN Junior Football tournament. In addition, contributions were made into the Youth Employment Guarantee Fund which aims at promoting youth employment.

Expenditure in respect of land, housing and community amenities as well as for environmental protection took the lowest shares at 0.7% and 0.6% respectively. With regards to land, housing and community development the largest share of funds went to the establishment of the Land Registration Agency which started operations during the year. In addition, some funds were used to pay compensation to some low cost housing dwellers whose houses were demolished to make way for urban housing development. Concerning environmental protection the main activity funded was the rehabilitation and protection of river banks and lake shores project.

III.3. Performance of the Foreign Financed Capital Budget

As mentioned in various budget execution reports, it is difficult to obtain accurate and reliable data from CEPEX, the main source of such data on the performance of the externally financed capital budget. Efforts are on-going to assist the outfit to improve data collation and analysis. In the meantime, as discussed above, inflows for externally financed capital expenditures amounted to RWF 169.3 billion. However, because about RWF 20.8 billion was disbursed during the last quarter of the year these funds could not be used and accrued in deposits at BNR. This means that only RWF 148.5 billion was spent on projects in 2008. This amount is shown in the annex table 1 under externally financed capital expenditures.

III.4 PRIORITY SPENDING

The attached table 5 gives details of priority spending by economic classification. This table below shows a summary of the attached table.

Priority spending 2008

Expenditure	Budget Projections (in bill. RWF)	Actual expenditures (in bill. RWF)
Recurrent expenditure	204.5	204.8
Domestic capital	99.7	106.0
Net Lending	2.8	2.3
TOTAL	**307.0**	**313.1**

The table shows that priority spending exceeded the target by RWF 6.1 billion. Spending under domestic capital accounted for the excess spending. As explained above in discussing the performance under domestic capital expenditure excess spending on water and sanitation projects accounted for this over-expenditure.

IV. DEFICITS AND FINANCING

Annex table 1 shows the various deficits i.e. excluding and including grants as well as the domestic fiscal deficit. As mentioned above domestic tax and non tax revenue collections exceeded projected totals by about RWF 83 billion. Non tax revenue collections were boosted by the mobile phone license fees of RWF 33.4 billion paid by TIGO. These excess resources together with the payment of US$ 25 million from the Libyan Company LAPGREEN representing the second installment payment for the divestiture of RWANDATEL more than offset the projected shortfall in capital grants.

The domestic fiscal deficit (excluding PKO outlays and demobilization expenditure) at RWF 94.8 billion was RWF 91.6 billion lower than the RWF 186.4 billion in the revised budget. The better performance in total resources also impacted positively on the overall performance. The overall deficit (excluding grants) at RWF 268.7 billion was RWF 81.8 billion lower than RWF 350.5 billion estimated. The overall performance (including grants) registered a surplus of RWF 31.8 billion compared to a deficit of RWF 44.1 billion projected. With a draw-down of loans amounting to US$ 110.4 million (US$ 99.5 million in project loans and US$ 10.9 million in budgetary loans), the Government was able to repay domestic non bank debt of RWF 15.6 billion (RWF 2.2 billion of treasury bills and other non bank debt of RWF 13.4 billion) and build up reserves of RWF 66.4 billion. The reserves include RWF 22.6 billion of deposits in various project accounts from external donors. In the revised budget estimates, the increase in reserves was estimated at RWF 34.3 billion.

V. CONCLUSION

Despite the exogenous and endogenous pressures, the overall performance of the 2008 budget was positive. The exogenous factors boosted resource flows whilst expenditure performance did not deviate markedly from the projections. On the expenditure side, the allocation of resources mirrored the EDPRS priorities as agriculture, transport and communications, fuel and energy and water and sanitation took the largest share of spending. In the case of agriculture this was rewarded with a good performance culminating in a growth of 16.4% which propelled the overall GDP growth to 11.2% for the fiscal year the best performance in the last three years.

The increase in reserves from the boost in external resource flows impacted positively on monetary developments during the year. Not only did this allow an increase in private sector credit by about 32%, it helped to contain broad money growth to only 11.3%, which was much lower than the nominal GDP increase of 30.6%. This development is expected to impact positively on inflation in 2009. The diligent monitoring of the Treasury Management Committee (TMC) contributed to the attainment of these positive results in the execution of the 2008 budget.